

## National Health Expenditures

*After 25 years of double-digit annual growth in national health expenditures, the rate of growth slowed during the 1990's. At the end of the decade the rate of growth started edging up again. The United States continues to spend more on health than any other industrialized country.*

■ In 1999 **national health care expenditures** in the United States totaled \$1.2 trillion, increasing 5.6 percent from the previous year compared with a 4.8 percent increase in 1998. During the 1990's annual growth had slowed, following an average annual growth rate of 11 percent during the 1980's (table 114).

■ The rate of increase in the medical care component of the **Consumer Price Index (CPI)** increased to 4.1 percent in 2000 from 3.3 percent per year during 1995–99. The CPI for hospital and related services showed the greatest price increase in 2000 (5.9 percent) compared with other components of medical care (table 115).

■ Between 1995 and 1999 **health expenditures as a percent of the gross domestic product (GDP)** stabilized at 13.0–13.3 percent, due to the combination of strong economic growth and slower rates of increase in health spending than in earlier years (table 114).

■ The United States spends a larger **share of the GDP on health** than any other major industrialized country. In 1998 the United States devoted 13.0 percent of the GDP to health compared with 10.4–10.6 percent each in Switzerland and Germany and 9.5–9.6 percent in Canada and France, countries with the next highest shares (table 113).

## Expenditures by Type of Care and Source of Funds

*Expenditures for hospital care as a percent of national health expenditures continue to decline. The sources of funds for medical care differ substantially according to the type of medical care being provided.*

■ **Expenditures for hospital care** as a percent of national health expenditures continued to decline, from 41 percent in 1980 to 32 percent in 1999. Physician services accounted for 22 percent of the total in 1999, prescription drugs for 8 percent, and nursing home care for 7 percent (table 117).

■ **Home health care expenditures** declined 4 percent between 1997 and 1999 as Medicare's cost controls and renewed fraud-and-abuse detection

activities restrained growth in spending (table 117).

■ In 1999 **prescription drug expenditures** increased 17 percent compared with an average annual rate of increase of 12 percent between 1995 and 1998. In 1999 prescription drugs posted one of the highest rates of price increase in the Consumer Price Index, 5.7 percent, although it dropped to 4.4 percent in 2000 (tables 115 and 117).

■ The rate of growth in **total expenses in community hospitals** is edging upward. In 1999 community hospital total expenses increased 5.1 percent compared with a 4.3-percent increase in 1998 and an average annual increase of 3.5 percent between 1995 and 1997 (table 122).

■ In 1999, 33 percent of **personal health care expenditures** were paid by the Federal Government and 11 percent by State and local government; private health insurance paid 34 percent and consumers paid 18 percent out-of-pocket (table 118).

■ In 1999 the major **sources of funds** for hospital care were Medicare (31 percent) and private health insurance (32 percent). Physician services were also primarily funded by private health insurance (48 percent) and Medicare (20 percent). In contrast, nursing home care was financed primarily by Medicaid (47 percent) and out-of-pocket payments (27 percent) (table 118).

■ In 1999, 43 percent of **prescription drug expenditures** were paid by private health insurance (up from one-quarter at the beginning of the decade), 35 percent by out-of-pocket payments (down from 59 percent in 1990), and 17 percent by Medicaid (table 118).

■ In 1996, 84 percent of **persons under age 65** reported **medical expenses** averaging \$1,900 per person with expense, an increase of 53 percent over 1987. Nineteen percent of these expenses were paid out-of-pocket, 57 percent by private insurance, and 18 percent by public coverage (mainly Medicaid) (table 119).

■ In 1996 the **uninsured** under age 65 were less likely to have had a **medical expense** than were those with public or private coverage (62 percent compared with 84 and 88 percent) (table 119).

■ In 1996, 96 percent of **elderly persons** reported **medical expenses** averaging \$5,600 per person with expense, an increase of 46 percent over 1987. Fifteen percent of expenses were paid out-of-pocket, 19 percent by private insurance, and 64 percent by public programs (mainly Medicare and Medicaid) (table 119).

## Highlights

- In 1996, 88 percent of elderly persons had a **prescribed medicine expense** compared with 82 percent in 1987. In 1996 the average annual out-of-pocket prescribed medicine expense per elderly person with expense (\$405) was 91 percent higher than in 1987 (table 119).
- In 1999 the average monthly charge per **nursing home** resident was \$3,891. Residents for whom the source of payment was private insurance, family support, or their own income paid close to the average charge, compared with an average monthly charge of \$5,800 when Medicare was the payor and \$3,500 when Medicaid was the source of payment (table 124).
- **The National Institutes of Health (NIH)** account for about four-fifths of Federal funding for health research and development. In 1999 the National Cancer Institute accounted for 20 percent of NIH's research and development budget; the National Heart, Lung and Blood Institute for 12 percent; and the National Institute of Allergy and Infectious Diseases for 10 percent. The Department of Defense accounted for 6 percent of Federal funding for health research and development (table 126).
- In 2000 **Federal expenditures for HIV-related activities** increased 10 percent to \$11 billion, compared with a 12-percent increase the previous year. Of the total Federal HIV-related spending in 2000, 58 percent was for medical care, 19 percent for research, 13 percent for cash assistance, and 10 percent for education and prevention (table 127).

### Publicly Funded Health Programs

*The two major publicly-funded health programs are Medicare and Medicaid. Medicare is funded by the Federal government and reimburses elderly and disabled persons for their health care. Medicaid is funded jointly by the Federal and State governments to provide health care for the poor. Medicaid benefits and eligibility vary by State. Medicare and Medicaid health care utilization and costs vary considerably by State.*

- In 1999 the **Medicare** program had 39 million enrollees and expenditures of \$213 billion (table 135).
- In 1997, 83 percent of **Medicare** beneficiaries were non-Hispanic white, 9 percent were non-Hispanic black, and 6 percent were Hispanic. Some 22–25 percent of Hispanic and non-Hispanic black beneficiaries were persons under 65 years of age entitled to Medicare through **disability** compared with 10 percent of non-Hispanic white beneficiaries (table 137).
- In 1997 non-Hispanic white **Medicare** beneficiaries were more likely to have received **dental care** than were non-Hispanic black or Hispanic beneficiaries (45 percent compared with 24 percent and 29 percent) (table 137).
- **Total health expenditures per Medicare beneficiary** (including non-Medicare health expenditures) varied from \$7,200 for Hispanic beneficiaries to \$9,200 for non-Hispanic white and \$12,000 for non-Hispanic black beneficiaries in 1997 (table 137).
- In 1999 **hospital insurance (HI)** accounted for 61 percent of Medicare expenditures. Expenditures for home health agency care decreased to 6 percent of HI expenditures in 1999, down from 14 percent in 1995 (table 135).
- In 1999 **supplementary medical insurance (SMI)** accounted for 39 percent of Medicare expenditures. Payments to managed care organizations increased to 20 percent of SMI expenditures in 1999, up from 6 percent in 1990 (table 135).
- Of the 32 million **Medicare enrollees in the fee-for-service program** in 1998, 11 percent were 85 years of age and over and 14 percent were under 65 years of age. Among elderly fee-for-service Medicare enrollees, payments increased with age from an average of \$4,000 per year per enrollee for those aged 65–74 years to \$7,600 for those 85 years and over. Average payments per fee-for-service enrollee declined in 1998 (table 136).
- In 1998 **Medicare payments per enrollee** varied by State, ranging from \$3,600–\$3,800 in Hawaii, Montana, North Dakota, and South Dakota to \$6,800–\$7,100 in Louisiana and the District of Columbia (table 145).
- In 1998 **Medicaid** vendor payments totaled \$142 billion for 41 million recipients (table 138).
- In 1998 children under the age of 21 years accounted for 47 percent of **Medicaid recipients** but only 16 percent of expenditures. Aged, blind, and disabled persons accounted for 26 percent of recipients and 71 percent of expenditures (table 138).
- In 1998, 22 percent of **Medicaid payments** went to nursing facilities, 15 percent to inpatient general hospitals, 14 percent to prepaid health care, and 10 percent to prescribed drugs (table 139).
- In 1998, 50 percent of **Medicaid recipients** used prepaid health care at a cost averaging \$955 per recipient (table 139).
- In 1998 the percent of **Medicaid recipients enrolled in managed care** varied substantially among States, from 0 in Alaska and Wyoming to

98–100 percent in Montana, Colorado, and Tennessee (table 146).

■ Between 1998 and 1999 spending on health care by the **Department of Veterans Affairs** increased 2.5 percent, to \$17.9 billion. In 1999, 38 percent of the total was for inpatient hospital care, down from 58 percent in 1990; 44 percent for outpatient care, up from 25 percent in 1990; and 10 percent for nursing home care, unchanged since 1990. In 1999, 54 percent of inpatients and 40 percent of outpatients were low-income veterans without service-connected disability (table 140).

## Privately Funded Health Care

*About 70 percent of the population has private health insurance, most of which is obtained through the workplace. The share of employees' total compensation devoted to health insurance has been declining in recent years, but increased in 2000. The health insurance market continues to change as new types of health insurance products are introduced. Use of traditional fee-for-service medical care continues to decline.*

■ Between 1994 and 1998 the age-adjusted proportion of the population under 65 years of age with **private health insurance** has remained stable at 71–72 percent after declining from 76 percent in 1989. More than 90 percent of private coverage was obtained through the workplace (a current or former employer or union) in 1998 (table 128).

■ In 2000 **private employers' health insurance costs** per employee-hour worked increased to \$1.09 from \$1.00 in 1998, after declining from \$1.14 in 1994. Among private employers the share of total compensation devoted to health insurance was 5.5 percent in 2000, up slightly from 5.4 percent in 1998 and 1999 (table 121).

■ In 2000 enrollment in **health maintenance organizations (HMO's)** totaled 81 million persons or 30 percent of the U.S. population. HMO enrollment ranged from 23 percent in the Midwest and South to 37 percent in the Northeast and 42 percent in the West. HMO enrollment increased steadily through 1999 but declined by 400,000 in 2000. The number of HMO plans decreased by 12 percent, to 568 plans in 2000 (table 133).

■ In 2000 the percent of the population enrolled in **HMO's** varied among the States, from 0 in Alaska to 53–54 percent in Massachusetts and California. Other States with 40 percent or more of the population

enrolled in HMO's in 2000 included Connecticut, Maryland, Colorado, and Oregon (table 147).

■ In 1999, 17 percent of the U.S. population under age 65 years had no **health care coverage** (either public or private). The proportion of the nonelderly population without health care coverage varied from less than 10 percent in Rhode Island, Minnesota, Iowa, and Missouri to one-quarter or more in Louisiana, Texas, and New Mexico (table 148).